

# EXHIBIT 29

## CHEVRON'S ENVIRONMENTAL LITIGATION IN ECUADOR

### *A Brief Guide For Interested Shareholders and Journalists*

*June, 2008*

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#### **Chevron's "Rainforest Chernobyl"**

Chevron is a defendant in a class-action trial in Ecuador where it is charged with creating the worst oil-related environmental disaster on the planet – dubbed the “Rainforest Chernobyl” by locals. Brought by 30,000 rainforest dwellers, the lawsuit asserts that Texaco (now Chevron after a 2001 merger) deliberately dumped more than 18 billion gallons of toxic “water of formation” into the rainforest. Experts *conservatively* estimate environmental damage at roughly \$10 billion exclusive of personal damages to thousands of victims. The trial could result in the largest judgment against an oil company in history. The case represents the first time an American oil company has faced a class action suit for environmental damages in the courts of a “Third World” nation.

#### **Facts Behind The Lawsuit**

Texaco, bought by Chevron in 2001, admits that it did something that no other oil company has done in recent times: it deliberately dumped *billions of gallons* of toxic “water of formation” directly into Ecuador’s rainforest from 1964 to 1992 as part of its waste-disposal method. For decades before Texaco entered Ecuador, it had been the practice in the United States to re-inject the “water of formation” thousands of feet into the ground to prevent environmental contamination. The lawsuit alleges that the dumping has led to the extinction of one indigenous tribe (the Tetetes) and forced two additional tribes (the Cofan and the Secoya) to the brink of disappearing, prompting charges of cultural genocide. To this day, approximately 1,000 open-air toxic waste pits built by Texaco remain in an area of the rainforest about the size of Rhode Island. The amount of pure crude dumped is more than 30 times greater than that spilled during the Exxon Valdez disaster. Thousands of people are at risk of death, and experts believe the area is no longer fit for human habitation. The number of waste pits is a rough estimate because Chevron has refused to divulge to local residents the exact location of each pit.

#### **Chevron's Inadequate "Remediation"**

In the mid-1990s, Texaco paid roughly \$40 million to the Ecuadorian government for a “clean-up” that consisted largely of covering up toxic waste pits with dirt without cleaning them out. The amount is less than one half of one percent of the actual damages caused by Texaco, according to remediation experts. The “clean-up” did not address groundwater contamination, surface water contamination, nor health impacts to local residents. In exchange for the \$40 million, Chevron was “released” from any further claims the government might bring against it. The release did not (and could not by law) shield Chevron from legal action by the private parties bringing the current lawsuit.

### **Summary of Scientific Evidence**

The scientific evidence against Chevron in the Ecuador trial is incontrovertible. It consists primarily of: (1) an unequivocal admission by Chevron that it dumped directly into the rainforest more than 18.5 *billion* gallons of toxic “water of formation,” which includes several known human carcinogens; (2) laboratory results from Chevron’s sampling in the current trial, which show illegal levels of toxins in soil and water, in violation of Ecuadorian law as it existed *at the time of Texaco’s operations, and as it exists today*; and (3) laboratory results from the plaintiffs, which also show illegal levels of toxic contamination in soil and water. These results clearly violate various provisions of Ecuadorian law prohibiting environmental contamination, dating back to 1921. They also violate Texaco’s operating contract, which required the company to extract oil in a way that would not contaminated the natural environment.

### **The Human Cost**

Health specialists *conservatively* estimate that at least 1,000 people in Ecuador’s Oriente region have died of cancers and other diseases as a result of the Texaco’s sub-standard operational practices, in addition to the lasting cultural damage caused to indigenous groups. Thousands more will likely perish in the coming years if there is no comprehensive clean-up.

### **Chevron’s Corporate Governance Problems**

Chevron has never disclosed in its public filings the Ecuador liability. This failure to disclose has prompted a request by some shareholders for a formal SEC investigation. Moreover, Chevron is under investigation in Ecuador by the country’s national prosecutor for committing a fraud during its so-called “remediation” that took place in the mid 1990s -- another unpleasant fact Chevron has not disclosed to shareholders.

### **Human Rights Issue—Chevron’s Deepening Corruption**

As Chevron’s prospects in the trial dim, a more frightening scenario has emerged: outright corruption of the judicial process by Chevron’s counsel. This corruption includes the filing of false military report with the court to suspend the trial; a completely inappropriate, and apparently illegal, security contract between Chevron and Ecuadorian armed forces implicated in human rights abuses; and joint “counterintelligence” operations run by Chevron’s private security officials and members of the Ecuadorian armed forces that threaten leaders of the affected communities and their lawyers. In May, Amnesty International put out an Urgent Action to protect Lupita de Heredia, who works on the legal team as a communications specialist. As a result of the threats, leaders of the trial for the affected communities have been granted protective measures by the Inter-American Human Rights Commission of the Organization of American States.

### **Chevron's Inappropriate Lobbying**

Chevron has also been condemned by U.S. Senators Barack Obama and Patrick Leahy for trying to convince the Bush Administration to refuse Ecuador's participation in the Andean Free Trade Agreement (AFTA) unless it quashes the legal case – a clear attempt to undermine the rule of law in Ecuador. The Senators expressed their concern in February in a letter to the United States Trade Representative, Robert Portman.

### **Chevron's Defenses – Increasingly Far-Fetched**

Chevron falsely claims on its website that it is winning the case – basically, a calculated misrepresentation by its lawyers, who work hand in hand with corporate public relations strategists from Hill & Knowlton. Chevron's lawyers have told local residents in the Amazon various untruths, such as that there is more lead in a candy bar than in oil; that high rates of cancer are due to promiscuity or poor hygiene; and, that oil is so full of vitamins one can drink it like milk. Chevron's public relations strategy is similar to that employed for years by the tobacco industry – try to sow doubt about scientific evidence, blame the victims for their own health problems, and try to confuse the scientific issues.

### **The Trial**

The trial in Ecuador has three phases: a proof period, where witnesses are called in open court to testify; field inspections, where the judge and court-appointed technical experts examine contaminated sites; and an overall damage assessment. The trial is currently nearing the end of the judicial inspections. Following the completion of the three phases, final arguments will be presented and the court will make a decision.

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